

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA PRIORITY
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MISSION ALSO FOR USMTN

E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJECT: GATT: CANADIAN ARTICLE XXVIII:5 ACTION ON FRUITS
AND VEGETABLES

REFERENCE: GENEVA 5636

1. AS REPORTED REFTEL, CANADA HAS NOTIFIED GATT OF ITS
DESIRE TO MODIFY CONCESSIONS ON FRESH AND PROCESSED FRUIT
AND VEGETABLES. ANNUAL IMPORTS FROM U.S. OF AFFECTED ITEMS
AVERAGED ABOUT C\$430 MILLION IN 1974-76 AND TOTALED ALMOST
C\$490 MILLION IN 1976. GATT NOTIFICATION STATES THAT
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CANADA WILL ADVISE INTERESTED CP'S OF PROPOSED MODIFICATIONS
AND COMPENSATORY ADJUSTMENTS CANADA IS PREPARED TO MAKE.
WE ASSUME MODIFICATIONS WILL BE BASED ON LAST YEAR'S TARIFF
BOARD RECOMMENDATIONS WITH AMENDMENTS INDICATED IN U.S.-
CANADIAN CONSULTATIONS APRIL 12. U.S. HAS ARTICLE XXVIII
NEGOTIATING OR CONSULTATION RIGHTS IN VIRTUALLY ALL ITEMS.

2. IN APRIL 12 CONSULTATIONS (SEPTTEL) CANADIANS GENERALLY GAVE SCANT ENCOURAGEMENT TO U.S. INTEREST IN EXEMPTION OF ITEMS FROM PROPOSED MODIFICATIONS BUT DID REPEAT MARCH 22 OFFER TO REDUCE POTATO DUTY TO 30 CENTS PER 100 POUNDS, PROVIDED U.S. MATCHED THIS RATE ON ALL POTATO IMPORTS (THEREBY ELIMINATING PRESENT U.S. TARIFF QUOTA). HOWEVER, WE CON-

TINUE TO BELIEVE IT DESIRABLE TO REDUCE SCOPE OF CANADIAN ACTION AND NOTE THAT FOLLOWING FRUIT AND VEGETABLE PRODUCT CATEGORIES, ACCOUNTING FOR SOME \$145 MILLION OF CANADIAN IMPORTS FROM THE U.S. IN 1976, ARE OF SPECIAL CONCERN TO US: POTATOES; CANNED PEACHES AND FRUIT MIXTURES; CANNED CORN, TOMATOES AND TOMATO PASTE; LETTUCE; FRESH PEACHES AND NECTARINES; FRESH AND FROZEN STRAWBERRIES; FRESH CHERRIES; FRESH ASPARAGUS; AND ONIONS.

3. SINCE U.S. AGRICULTURAL REQUESTS OF CANADA IN MTN TOTAL ONLY \$283 MILLION, ADVERSE EFFECTS OF ARTICLE XXVIII MODIFICATIONS ARE LIKELY TO OUTWEIGH BENEFITS FOR U.S. AGRICULTURE FROM U.S.-CANADIAN MTN NEGOTIATIONS. THIS PROBABILITY - PLUS SENSITIVITY OF KEY ITEMS LISTED ABOVE - NECESSITATES REITERATION OF PREVIOUSLY EXPRESSED STRONG U.S. VIEWS ON THIS ISSUE BEFORE DETAILS OF PROPOSED MODIFICATIONS ARE OFFICIALLY TABLED.

4. ACTION REQUESTED: EMBASSY IS REQUESTED TO (1) EXPLAIN LIMITED OFFICIAL USE

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OUR EXTREME UNHAPPINESS WITH SWEEPING ARTICLE XXVIII ACTION TO SENIOR-LEVEL GOC OFFICIALS, (2) POINT OUT THAT MODIFICATIONS HARDLY ACCORD WITH GOC'S STATED DESIRE FOR SUCCESSFUL MTN, (3) REQUEST EXEMPTION OF SENSITIVE ITEMS LISTED PARA 2 ABOVE TO NARROW SCOPE OF THE ACTION AND FACILITATE REACHING A SATISFACTORY CONCLUSION, AND (4) STATE THAT WE WILL EXPECT GOC TO OFFER FULL COMPENSATION FOR REMAINING ITEMS IN ARTICLE XXVIII NEGOTIATIONS.

5. FYI:

A. AS ABOVE DISCUSSION IMPLIES, THERE IS MAJOR CONCERN IN USG OVER PROPOSED CANADIAN ACTION. WE UNDERSTAND, HOWEVER, THAT GOC DECISION TO GO FORWARD HAS BEEN MADE AT MINISTERIAL LEVEL AND THAT FURTHER U.S. REPRESENTATIONS ARE NOT LIKELY TO LEAD TO ELIMINATING SENSITIVE ITEMS FROM THE SCOPE OF ACTION. WE ARE ALSO AWARE OF UPCOMING NATIONAL ELECTION AND DESIRABILITY OF AVOIDING POLITICIZATION OF THIS ISSUE AS ANOTHER US-CANADIAN CONFRONTATION.

B. WE HAVE INFORMED GOC THAT WE WOULD RESIST ANY CANADIAN ATTEMPT TO FOLD ARTICLE XXVIII NEGOTIATION INTO MTN AS SUCH

A MOVE WOULD BE LIKELY TO OBSCURE AND PROBABLY REDUCE
AMOUNT OF COMPENSATION WE RECEIVE. VANCE

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